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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
SHERMAN DIVISION**

In re:	§	Chapter 11
	§	
	§	Case No. 23-42384
SPARTAN GROUP HOLDINGS, LLC, et al.	§	
	§	Jointly Administered
<i>Debtors.</i> <sup>1</sup>	§	

**PATHWARD, NA'S LIMITED OBJECTION TO DEBTORS' MOTION TO SELL  
VALLEY CHILI ROAD REAL PROPERTY, IMPROVEMENTS, AND LIMITED  
PERSONALTY FREE AND CLEAR, AND TO PAY LIENS AS PART OF THE SAME**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE

COMES NOW, Pathward, NA, a creditor in the above-referenced proceeding, hereby filing this Limited Objection to Debtors' Motion to Sell Valley Chili Road Real Property, Improvements, and Limited Personalty Free and Clear, and to Pay Liens as Part of the Same [ECF No. 182] ("Motion"), and in support thereof, would respectfully show the Court as follows:

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<sup>1</sup> The debtors and the last four digits of their EINs are Spartan Group Holdings, LLC (5865), Spartan Concrete Construction, LLC (5378), Spartan Engineering Services, LLC (9172), Spartan Equipment Leasing, LLC (9972), Spartan Fabrication Services, LLC (1692), Spartan Metals Distribution, LLC (3800), Spartan Reinforcing, LLC (6811), and Spartan Valley Chili Road, LLC (1399).

## **I. BACKGROUND**

1. On or about January 10, 2022, Spartan Fabrication Services, LLC and Spartan Reinforcing, LLC entered into a Master Equipment Finance Agreement (the “MEFA”) with Pathward to finance the acquisition of equipment (“Equipment”) described in any schedule incorporated into the MEFA by reference. (Ex. A). Spartan Group Holdings, LLC is a guarantor. (Ex. B). Spartan Fabrication Services, LLC, Spartan Reinforcing, LLC, and Spartan Group Holdings, LLC are collectively referred to as “Debtors.”

2. To secure Debtors’ payment and performance obligations under the MEFA, Debtors granted Pathward a security interest in all the Equipment and in all attachments, additions, substitutions, replacements, and proceeds therefrom (collectively, the “Collateral”) and authorized Pathward to file UCC financing statements to give public notice of Pathward’s security interest in the Collateral. (Ex. A § 8).

3. On or about January 16, 2022, Debtors executed Schedule 505446-1, which covers the acquisition of various machinery, electronics, computer hardware, hoisting equipment, and other industrial equipment. (Ex. B) (“Schedule 1”). The purchase invoices for the items covered by Schedule 1 are attached as Exhibit C (“Schedule 1 Collateral”).

4. Pathward perfected its security interest in the Schedule 1 Collateral by filing a UCC financing statement on January 13, 2022. (Ex. D).

5. On or about June 24, 2022, Debtors executed Schedule 505446-2, which covers the acquisition of additional hoisting and industrial equipment. (Ex. E) (“Schedule 2”). The purchase invoices for the items covered by Schedule 2 are attached as Exhibit F (“Schedule 2 Collateral”).

6. Pathward perfected its security interest in the Schedule 2 Collateral by filing a UCC financing statement on June 21, 2022. (Ex. D).

7. Debtors defaulted on the MEFA by, among other things, failing to make the agreed monthly payments.

8. Debtors' Motion seeks to sell certain real property at 380 Valley Chili Road, Vinton, Texas 78921 ("Chili Road Property"), including some—but not all—of Pathward's Collateral. Debtors assert some of the Collateral ("two 5-ton cranes, two 10-ton cranes, twin city cranes, a rotary air compressor, hoisting equipment, and certain rails and related equipment") are fixtures valued at \$100,000 and propose to pay Pathward \$100,000 for this Collateral from the proceeds of the sale. The remaining Collateral will have to be repossessed. In the alternative, Debtors propose that all the Collateral be abandoned and Pathward should be compelled to remove the Collateral at its expense.

## **II. LIMITED OBJECTION**

9. Pathward objects to the Motion on the following limited grounds.

10. Pathward objects to the Motion because it does not describe the Collateral to be sold with the Chili Road Property with sufficient detail to allow parties in interest to assess their fair market value or status as fixtures. By way of example only, the Schedule 1 Collateral includes roughly 30 individual items, some identifiable by serial number and others only by description and invoice. Debtors' Motion, however, proposes to sell only general categories of equipment.

11. Pathward further objects to the Motion because Sections 363(f)(1), (3), and (5) are not satisfied as the Collateral to be sold with the Chili Road Property is not readily identifiable with an ascertainable value and has not been incorporated as improvements into real property.

12. Pathward and Debtors have come to a general agreement on the fair market value of some of the Collateral to be sold with the Chili Road Property, pending an inspection of the Chili Road Property and Collateral set for April 11, 2024.

13. Accordingly, and in advance of the Chili Road Property inspection, Pathward reserves all rights to assert additional objections with respect to the designation of any Collateral as fixtures, the Collateral's fair market value, the proposed sale of any of the Collateral "free and clear of all liens, claims, interest, and encumbrances," other relief contemplated in connection with the Sale, and all other facts or circumstances not known to Pathward or that may subsequently arise in connection with the proposed sale. Without limiting the foregoing, Pathward further reserves its rights to assert such objections at or prior to the hearing on the Motion, as applicable.

### **CONCLUSION**

WHEREFORE, Pathward requests that the Court deny the relief sought in the Motion and grant them such other and further relief as is just and proper.

Dated: April 8, 2024.

Respectfully submitted,

RAPP & KROCK, PC

/s/ Bradley K. Jones

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**Counsel for Pathward, NA**

**CERTIFICATE OF CONFERENCE**

I hereby certify that counsel for Pathward conferred with counsel for Debtors on April 5, 2024, regarding the relief requested by Debtors in the motion filed at ECF No. 182, and that as of the date of this pleading, the parties have not reached a final resolution.

/s/ Bradley K. Jones  
Bradley K. Jones

**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing pleading has been served via the Court's ECF noticing system on April 8, 2024.

/s/ Bradley K. Jones  
Bradley K. Jones